

Message Text

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SUBJECT: INDUSTRIES AND COMMODITIES: DOWNTURN IN STEEL AND
ENGINEERING

INDUSTRIES SEEN CONTINUING

REFS: JOHANNESBURG 2139

1. THE JOHANNESBURG STAR OF DECEMBER 6 CARRIES A BUSINESS
ITEM QUOTING THE STEEL AND ENGINEERING INDUSTRIES FEDERATION
OF SOUTH AFRICA (SEIFSA) AS FOLLOWS:

2. QUOTE THE DOWNWARD TREND OF WORK IN THE METAL AND
ENGINEERING INDUSTRIES LEVELLED OUT IN OCTOBER, BUT
ONLY BECAUSE OF SEASONAL INFLUENCES, SAYS THE LATEST
REPORT ON BUSINESS CONDITIONS FROM THE STEEL AND
ENGINEERING INDUSTRIES FEDERATION.

3. A FURTHER WEAKENING IN THE FLOW OF DELIVERIES TO
THE BUILDING INDUSTRY AND MOTOR VEHICLE ASSEMBLY PLANTS
WAS PARTIALLY OFFSET BY RESTOCKING IN PREPARATION FOR
ANNUAL FACTORY SHUTDOWNS.

4. GENERAL DEMAND IN OCTOBER WAS REPORTED AS NO WORSE
THAN IN THE PREVIOUS MONTH, BUT IN PRESENT CONDITIONS
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NO SUBSTANTIAL RECOVERY OF CONSUMER SPENDING IS

ANTICIPATED, SAYS SEIFSA.

5. THE FOUR DAY WORKING WEEK AS AN ADJUSTMENT TO THE BUSINESS RECESSION IS IN GENERAL USE BY THE HARDEST HIT SECTORS. THESE INCLUDE AGRICULTURAL MACHINERY, AUTOMOTIVE PARTS, THE IRON FOUNDRIES AND ELECTRIC CABLES SECTORS. IT IS FEARED THAT THIS METHOD OF OPERATION MAY PROVE INSUFFICIENT TO COUNTER DOWNTURNS IN MANY CASES WHEN PLANTS RE-OPEN IN THE NEW YEAR AND SEASONAL EFFECTS ARE REMOVED.

6. LOCAL DEMAND FOR STEEL IN OCTOBER WAS WELL DOWN ON PREVIOUS LEVELS. EXPORTS OF ROLLED STEEL PRODUCTS CONTINUE TO INCREASE IN TONNAGE BUT NO LONGER COMPENSATE FOR THE TOTAL FALL IN LOCAL CONSUMPTION.

7. MOREOVER, INTERNATIONAL PRICE TRENDS FOR STEEL ARE CURRENTLY DOWNWARD.

8. COST TRENDS ARE DISQUIETING. OCTOBER COST INCREASES INCLUDED STAINLESS STEEL, FOUNDRY COKE, DOLOMITE AND GRINDING WHEELS, IMPENDING PRICE INCREASES IN THE PIPELINE INCLUDE ALUMINIUM AND ELECTRIC POWER, ON TOP OF THE 8.8 PERCENT INCREASE IN THE STEEL PRICE. UNQUOTE

9. COMMENT: AS REPORTED IN REFTTEL, THE DISAPPOINTING RESULTS OF THE S METAL WORKING, FINISHING AND MACHINE TOOL CATALOG DISPLAY HELD IN JOHANNESBURG DURING THE WEEK NOVEMBER 29 - DECEMBER 3 IS REFLECTED IN PART BY THE SITUATION SEIFSA ASSESSES. IT IS IMPORTANT TO NOTE THAT SEIFSA'S 3800 MEMBER FIRMS EMPLOY 486,000 OF WHOM 78 PERCENT ARE NON-WHITE, THE MAJORITY OF WHOM ARE BLACKS. A PROTRACTED DOWNTURN IN THESE INDUSTRIES WILL THEREFORE ALMOST CERTAINLY BE FELT FIRST BY THE BLACKS WHO WILL BE AMONG THE FIRST TO FACE LAYOFFS. OUR DISCUSSIONS WITH SEIFSA DIRECTORS DURING SUBJECT DISPLAY GENERALLY CONFIRMED THE TENOR OF THE PRESS REPORT.

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